

Message Text

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FM AMEMBASSY BUCHAREST

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C O N F I D E N T I A L BUCHAREST 1014

LIMDIS

NOFORN

E.O. 11652: XGDS-1

TAGS: EFIN ETRD EEWT RO

SUBJ: ROMANIA'S BALANCE OF PAYMENTS

REF: BUCHAREST 0999

1. FOLLOWING DISCUSSION WITH MINFIN DUMITRESCU ON ROMANIAN GOLD CONTRIBUTION TO IMF (BUCH 0999), AMBASSADOR POSED SERIES OF QUESTIONS RELATING TO ROMANIAN TRADE AND PAYMENTS SITUATION TO WHICH DUMITRESCU RESPONDED WITH UNUSUAL DEGREE (FOR ROMANIA) OF CANDOR AND SPECIFICITY. ENCOURAGED BY MINISTER'S RESPONSIVENESS AND CONCERNED THAT DISCLOSURE OF HIS ANSWERS TO FRIENDLY GOVERNMENTS MIGHT GET BACK TO DUMITRESCU, WE WOULD LIKE FOLLOWING INFORMATION HELD FOR NOW WITHIN USG.

2. ROMANIAN BALANCE OF PAYMENTS. MINISTER STATED THAT ROMANIA SUFFERED DEFICIT (PRESUMABLY ON CURRENT ACCOUNT WITH CONVERTIBLE AREA) OF ABOUT \$300-340 MILLION IN 1975. MOST OF THIS DEFICIT WAS RECORDED IN MERCHANDISE TRADE WHERE LOWER EXPORTS OF AGRICULTURAL AND CHEMICAL PRODUCTS (CEREALS AND FERTILIZERS) WERE LARGELY TO BLAME. NONETHELESS, DEFICIT HAD BEEN HELD DOWN FROM IMMEDIATE POST FLOODS ESTIMATE OF \$500 MILLION THANKS TO STRONG EXPORT EFFORTS. FOR 1976 DUMITRESCU BELIEVED SITUATION WOULD IMPROVE, ALTHOUGH THERE WOULD

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STILL BE DEFICIT OF \$150-200 MILLION. TRADE SECTOR WOULD STILL

REFLECT SOMEWHAT DEPRESSED LEVEL OF AGRICULTURAL EXPORTS IN FIRST SEMESTER.

3. FOREIGN BORROWING. WHILE PROJECTING DEFICIT, DUMITRESCU APPEARED RELAXED ABOUT SOURCES OF FINANCING. FROM HIS COMMENTS FUNDAMENTAL GOR POLICY SEEMED TO BE ONE OF EXPLORING ALL POSSIBILITIES WITHOUT APPEARING TO BE ANXIOUS TO EXERCISE ANY OF THESE OPTIONS. NOTING THAT GOR STILL HAD \$66 MILLION REMAINING FROM ITS SECOND AND THIRD IMF TRANCHES, MINISTER OBSERVED THAT GOR WAS DISCUSSING WITH FUNDS TERMS AND CONDITIONS OF \$95 MILLION COMPENSATORY FINANCING FACILITY AS WELL AS CONSIDERING APPLICATION FOR 45 PERCENT INCREASE IN CREDIT TRANCHES ONCE THOSE CONDITIONS ARE CLEAR. ON OTHER POTENTIAL SOURCES OF FUNDS, DUMITRESCU TERMED EURODOLLAR AND IBRD RATES TOO HIGH. OIL FUNDS WERE ALSO VIEWED AS EXCESSIVELY COSTLY; MOREOVER, IRANIAN FUNDS WERE COMMITTED, KUWAITIS HAD ALREADY EXTENDED ROMANIA ONE LOAN, AND GOR HAD NO RELATIONS WITH SAUDIS.

4. DEBT STRUCTURE/SERVICE. DUMITRESCU COMMENTED THAT ROMANIA WAS SUCCESSFULLY PERSISTING IN ITS EFFORTS TO INCREASE THE MATURITIES OF ITS LOANS. HE ANTICIPATED THAT DEBT SERVICE WOULD BE BETTER IN 1976 THAN IN ANY LAST THREE YEARS.

5. COMMENT: CONCEDED ROMANIAN INTEREST IN PUTTING BEST FACE ON ITS FINANCIAL SITUATION, WE WERE STRUCK BY DUMITRESCU'S MORE CONFIDENT POSE IN THIS CONVERSATION THAN IN ONE HELD FOLLOWING FLOODS.

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